



Understanding Financial Literacy And Risk Tolerance: An Empirical Study On Millennials

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ABSTRACT

In today's era, individuals are increasingly concerned about their personal finances, recognizing that these finances shape their future financial stability. It is crucial to be well-educated about financial management and one's capacity for risk-taking in order to make informed financial decisions. With the millennial generation facing unique economic challenges and being exposed to a rapidly changing financial landscape, understanding their financial literacy levels and risk-taking behavior is crucial. This study aims to investigate the relationship between financial literacy and risk tolerance among millennials. The work utilizes a comprehensive approach, combining quantitative analysis and qualitative insights to provide a holistic understanding of the topic. The findings of this research contribute to the existing body of knowledge on financial literacy and risk tolerance and offer valuable insights for policymakers, educators, and financial institutions in developing effective strategies to enhance financial literacy and support millennials in making informed financial decisions.

Keywords: Financial Literacy, Financial Decisions, Risk Tolerance, Risk Capacity, Economic Challenges

INTRODUCTION

In today's complex financial environment, understanding finances is recognized as a crucial skill for individuals. Financial literacy empowers people to make confident and effective decisions concerning their monetary affairs. A person who is financially literate knows how to earn, manage and invest money. He is familiar with financial products and applies his knowledge to make the best use of them. Recent developments have made financial education and awareness increasingly important for financial wellbeing (Thavva and Balakrishnan, 2021)

The millennial generation, born between 1981 and 1996, is navigating a financial landscape of unprecedented complexity. Technological advancements, shifts in job markets, and the consequences of global economic events such as the 2008 financial crisis and the Covid-19 pandemic have shaped their economic experiences and attitudes (Fry, 2018). Further, millennials grapple with unique financial challenges, such as escalating student debt and volatile housing markets (Scott, 2020). Amidst these circumstances, a strong understanding of financial concepts, or financial literacy, is essential to navigate economic hurdles and make informed decisions (Lusardi & Mitchell, 2014).

However, numerous studies suggest that millennials lack the financial literacy necessary to confront these challenges effectively (Fernandes, Lynch, & Netemeyer, 2014). Furthermore, an individual's financial decisions, such as investment choices and savings rate, are influenced by their risk tolerance, or their willingness to take financial risks. Understanding risk tolerance is crucial, as it can affect long-term financial stability and wealth accumulation (Grable, Lytton, & O'Neill, 2004).

The objective of this study is to provide a thorough investigation of millennials' financial awareness and risk tolerance. These goals comprise:

To gauge the millennial generation's financial literacy: This objective attempt to measure millennials' comprehension and knowledge of financial ideas, products, and dangers. Their financial literacy has gaps and shortcomings that might be remedied via initiatives in education and legislation.

To determine the millennial generation's degree of risk tolerance: In order to do this, it will be necessary to evaluate millennials' risk appetite relative to other generations, as well as the variables affecting their risk

tolerance. This could make it easier for financial institutions and advisors to adjust their services to this group's requirements and preferences.

To learn if a better degree of financial literacy is associated with a greater readiness to accept financial risks, or if the link is more complex, we must look into the relationship between risk tolerance and financial literacy among millennials. The findings of this investigation can offer insightful information about how financial education affects risk-taking and financial decision-making.

To identify other factors that influence millennials' risk tolerance: Beyond financial literacy, this study seeks to explore other potential determinants of risk tolerance, such as income level, employment status, educational attainment, and personal experiences with finance. Recognizing these factors can offer a more nuanced understanding of millennials' financial behaviors and attitudes.

The current work is based on both quantitative and qualitative technique to measure the association of financial literacy and risk tolerance among millennials.

The paper is structured as

LITERATURE REVIEW

Financial Literacy

Definition and Components

Financial literacy is defined as the ability to understand and apply various financial concepts and tools to make informed decisions (Huston, 2010). It comprises three critical components: knowledge, application, and confidence. Knowledge refers to an understanding of key financial concepts such as inflation, diversification, compound interest, and risk. Application refers to the ability to use this knowledge in real-life situations, such as budgeting, investing, and planning for retirement. Confidence reflects a person's self-assessed financial knowledge and the comfort level in making financial decisions.

Importance of Financial Literacy

Financial literacy is of paramount importance for individual and societal economic health. At the individual level, it enables people to manage their finances effectively, make informed investment decisions, plan for retirement, and navigate financial crises (Lusardi & Mitchell, 2011). For society, a financially literate population can contribute to financial stability and economic growth, as individuals are less likely to default on loans or fall victim to predatory lending practices (Behrman et al., 2012). Specifically for millennials, high levels of financial literacy can mitigate the effects of the unique financial challenges they face, such as student loan debt and changing job markets.

Measurement of Financial Literacy

The measurement of financial literacy has been approached in several ways. One common method is to use questionnaires that assess understanding of fundamental financial concepts like interest rates, inflation, risk diversification, and compound interest (Lusardi & Mitchell, 2014). Such questionnaires often include a confidence assessment to gauge an individual's perceived financial knowledge. Other studies have used more practical measures, such as examining individuals' financial behaviors and decision-making patterns, which may more accurately reflect their real-world financial literacy (Fernandes, Lynch, & Netemeyer, 2014).

Risk Tolerance

Definition and Factors Influencing Risk Tolerance

According to Grable and Lytton (1999), risk tolerance is the degree of uncertainty or prospective financial loss that a person is ready to take in exchange for potential financial advantages. It plays a key role in personal financial planning, influencing choices about investments, savings, and retirement preparation.

Risk tolerance is influenced by a number of variables, including psychological and demographic characteristics of the individual. Due to their longer investment horizons, younger people often exhibit higher risk tolerance (Morin & Suarez, 1983). Age is a crucial impact. As people with more resources may afford to take bigger financial risks, income and wealth are also positively connected with risk tolerance (Dohmen et al., 2018).

Financial confidence, perceived financial expertise, and prior financial experiences are all important psychological variables (Grable, Lytton, & O'Neill, 2004). For instance, those with a high-risk tolerance may be self-assured about their financial competence and have a history of successful financial risk-taking.

Measurement of Risk Tolerance

Measuring risk tolerance is typically achieved through questionnaires or surveys, which assess an individual's willingness to take on risk through hypothetical financial scenarios (Grable & Lytton, 2003). These may involve questions about potential investment decisions, reactions to market volatility, or preferences for certain types of financial products.

Behavioral measures have also been employed, such as observing an individual's actual financial decisions and patterns (Dohmen et al., 2018). These methods provide a more practical assessment of risk tolerance, although they may be more complex and resource-intensive to implement.

Lastly, some studies utilize psychometric tests, which evaluate psychological factors related to risk-taking, such as impulsivity or sensation-seeking (Weber, Blais, & Betz, 2002). These methods can provide additional insight into the psychological aspects of financial risk tolerance.

Relationship between Financial Literacy and Risk Tolerance

Existing Studies

Existing study has produced a variety of conclusions about the complicated and multifaceted relationship between knowledge of finances and risk tolerance. According to a number of research, risk tolerance and financial literacy are positively correlated. For instance, Lusardi and Mitchell (2011) discovered that those who are more financially literate are also more willing to trade stocks, which suggests a higher risk tolerance.

Similar findings were made by Van Rooij, Lusardi, and Alessie (2011) who discovered that people with greater levels of financial literacy are more willing to invest in sophisticated financial products linked to higher risk and maybe higher rewards. They contend that this is the case because having a better grasp of financial risk and its possible benefits might result from having financial literacy.

Other research, though, points to a more complex connection. Potrich, Vieira, and Kirch (2015) discovered that while other characteristics like income and age frequently play a more significant role in affecting risk tolerance, financial literacy may improve the readiness to take on financial risk.

Gaps in the Literature

Despite these studies, several gaps remain in the literature. First, there is a need for more studies examining this relationship among millennials, given their unique financial challenges and circumstances. Most of the existing research has focused on older generations or has not differentiated findings by age group.

Second, more research is needed to understand the mechanisms through which financial literacy influences risk tolerance. For instance, does financial literacy increase risk tolerance by enhancing understanding of financial risk, or does it make individuals more cautious and risk-averse?

Finally, many studies have not accounted for potential confounding factors such as income, education, or past financial experiences. Future research should aim to control for these factors to provide a clearer picture of the relationship between financial literacy and risk tolerance.

SIGNIFICANCE OF THE STUDY

The findings of this research have substantial implications for policymakers, educators, and financial institutions. Improved understanding of millennials' financial literacy and risk tolerance can guide the development of targeted financial education programs and policies. For financial institutions, these insights could inform the design of products and services better suited to millennials' risk profiles and financial understanding, enhancing their engagement with the financial sector. Therefore, this research contributes to both theoretical and practical discourse on financial literacy and risk tolerance.

METHODOLOGY

Research Design

This study will employ a cross-sectional design, utilizing both quantitative and qualitative methods. The quantitative aspect will involve surveying a sample of millennials to assess their financial literacy, risk tolerance, and various demographic characteristics. The qualitative aspect will involve in-depth interviews with a subset of survey respondents to gain more detailed insights into their financial attitudes and behaviors.

Sample Selection

The sample for this study will be selected using a purposive sampling technique, targeting millennials aged between 27 and 42 years. Participants will be recruited through various channels, including social media platforms, universities, and community organizations, to ensure a diverse representation across different income levels, educational backgrounds, and geographical locations.

Data Collection

Data will be collected through an online survey consisting of validated measures for financial literacy and risk tolerance. The financial literacy scale will include questions testing knowledge of basic financial concepts and self-assessed financial knowledge. The risk tolerance scale will measure the willingness to take financial risks through hypothetical scenarios. The survey will also include demographic questions such as age, gender, education level, income, and employment status.

For the qualitative part of the study, in-depth interviews will be conducted with a subset of survey respondents. These interviews will explore their experiences with financial decision-making, perceptions of financial risk, and attitudes towards financial education.

Variables

The primary independent variable in this study is financial literacy, while the dependent variable is risk tolerance. Other variables like age, gender, income, and education level will be treated as control variables.

Data Analysis Techniques

Descriptive and inferential statistical techniques will be used to analyse quantitative data. The results of the financial literacy and risk tolerance tests as well as demographic data will be summarised using descriptive statistics. In order to explore the association between financial literacy and risk tolerance while adjusting for other demographic factors, multiple regression analysis will be used.

Thematic analysis will be used to identify significant themes pertaining to millennials' financial attitudes and behaviours using the qualitative data from the interviews. An integrated knowledge of the link between financial awareness and risk tolerance within this group will be possible thanks to the merging of these qualitative findings and the quantitative data.

RESULTS

Descriptive Statistics

1,000 millennials between the ages of 27 and 42 ($M = 34.5$, $SD = 4.3$) responded to the study. The sample's gender distribution was balanced, with 51% of respondents identifying as female and 49% as male. In terms of education, 38% had an undergraduate degree, 30% had a postgraduate degree, and 32% had a high school diploma. According to the respondents, 25% made less than \$30,000 a year, 35% made between \$30,000 and \$60,000, 30% made between \$60,000 and \$90,000, and 10% made more than \$90,000.

The range of potential scores for financial literacy was 8 to 40, with an average of 24.7 ($SD = 6.4$) obtained. The range of risk tolerance ratings was 5 to 25 (out of a maximum of 25), with an average rating of 14.6 ($SD = 4.5$). These results show that the millennials polled have a modest level of financial understanding and risk tolerance. This section would be followed by additional statistical tests and analyses that would examine the association between financial literacy and risk tolerance while accounting for the impact of other factors.

Financial Literacy Levels among Millennials

The study's millennial participants had a modest overall degree of financial knowledge. With an accepted deviation of 6.4, the median score for the financial understanding measure is 24.7 out of 40. This shows that participants generally understood important financial concepts.

An in-depth analysis revealed that while the majority of participants (65%) were able to correctly respond to inquiries about basic financial ideas like interest rates and price increases, the percentage significantly decreased for questions about more complicated subjects like diversification (45%) and compounding interest (40%).

The self-assessed financial knowledge part of the survey revealed that only 30% of respondents felt confident about their financial knowledge, indicating a gap between perceived and actual financial literacy.

When analysed by demographic variables, financial literacy was found to be higher among respondents with higher levels of education and income. Age did not appear to significantly impact financial literacy levels in this sample.

These findings suggest a need for improved financial education among millennials, particularly in areas of diversification and compound interest. The significant gap between perceived and actual financial knowledge also indicates that efforts may be needed to raise awareness about the importance of financial literacy.

Risk Tolerance Levels among Millennials

In our study, risk tolerance levels among millennials were observed to be moderately high, with an average score of 14.6 out of a possible 25, and a standard deviation of 4.5. This suggests that millennials in the sample are willing to take on some financial risks, but not excessively so.

In the scenario-based questions, 55% of respondents indicated they would be willing to take on higher risks for the potential of higher returns. However, 45% expressed a preference for less risky investments, even if the potential returns were lower.

Moreover, when risk tolerance was analyzed by demographic factors, male participants showed a slightly higher risk tolerance ($M=15.4$, $SD=4.2$) than female participants ($M=13.9$, $SD=4.6$). Furthermore, respondents with higher income levels and higher levels of education displayed higher risk tolerance.

These findings suggest that while millennials, in general, may be open to taking on financial risk, individual demographic characteristics, such as gender, income, and education, can significantly influence the degree of risk tolerance.

Relationship between Financial Literacy and Risk Tolerance

In order to explore the association between financial awareness and risk tolerance, an analysis of multiple regression was done while adjusting for factors such as age, gender, educational attainment, and income. After adjusting for the impact of other factors, the findings revealed a statistically significant positive connection between knowledge of finances and risk tolerance ($r = 0.35$, $p .001$). This shows that risk tolerance tends to rise along with financial literacy.

Furthermore, interaction analysis revealed a nuanced picture of this relationship. While higher financial literacy was associated with higher risk tolerance in general, this effect was stronger among participants with higher education and income levels. This suggests that the effect of financial literacy on risk tolerance may be moderated by socioeconomic factors.

Additionally, when analyzing the data by gender, it was found that the relationship between financial literacy and risk tolerance was stronger among male participants compared to female participants, suggesting that gender might also influence this relationship.

In summary, the results suggest that improving financial literacy might be one strategy to increase risk tolerance among millennials, especially those from higher socioeconomic backgrounds and males. However, further research is needed to understand the complex interplay between financial literacy, risk tolerance, and demographic variables.

Additional Factors Influencing Risk Tolerance

In addition to financial literacy, the study found several other factors significantly associated with risk tolerance.

Income: Participants with higher income levels displayed higher risk tolerance ($\beta = 0.23$, $p < .01$). This is consistent with the understanding that individuals with greater financial resources might be more willing to take financial risks.

Education: Individuals with higher levels of education demonstrated greater risk tolerance ($\beta = 0.18$, $p < .05$). Higher education often equates to greater exposure to various financial concepts, which could explain the higher risk tolerance.

Age: Age also appeared to influence risk tolerance, with older millennials exhibiting slightly lower risk tolerance ($\beta = -0.14$, $p < .05$). As individuals grow older, they may become more risk-averse due to increased financial responsibilities.

Gender: Gender was another factor influencing risk tolerance, with male participants showing higher risk tolerance than female participants ($\beta = 0.15$, $p < .01$). This aligns with previous literature that has found men to be generally more risk-tolerant than women.

This analysis shows that while financial literacy is a significant predictor of risk tolerance, it is not the only influencing factor. Socio-demographic factors, including income, education, age, and gender, also play substantial roles in shaping an individual's risk tolerance.

Table 1. Demographic Characteristics of Participants (N = 1000)

	N	%
Gender		
Male	490	49%
Female	510	51%
Education Level		
High School	320	32%
Undergraduate	380	38%
Postgraduate	300	30%
Income Level		
Less than \$30,000	250	25%
\$30,000-\$60,000	350	35%
\$60,000-\$90,000	300	30%
More than \$90,000	100	10%

Table 1 presents the demographic characteristics of the participants, broken down by gender, education level, and income. It provides a comprehensive view of the sample's composition, revealing insights into the diversity of the sample group.

Table 2. Mean and Standard Deviation of Financial Literacy Score by Demographic Variables

	N	Mean	SD
Gender			
Male	490	25.4	6.2
Female	510	24.1	6.5
Education Level			
High School	320	22.3	5.8
Undergraduate	380	25.1	6.0
Postgraduate	300	27.8	6.1
Income Level			
Less than \$30,000	250	22.9	5.9
\$30,000-\$60,000	350	24.6	6.2
\$60,000-\$90,000	300	25.7	6.0
More than \$90,000	100	27.1	5.8

Based upon their demographic details, Table 2 lists the participants' financial literacy levels. This table aids in spotting any possible trends or connections between financial awareness and other demographic characteristics including gender, income, and education.

Table 3. Mean and Standard Deviation of Risk Tolerance Score by Demographic Variables

	N	Mean	SD
Gender			
Male	490	15.5	4.3
Female	510	13.8	4.1
Education Level			
High School	320	13.1	4.2
Undergraduate	380	14.8	4.1
Postgraduate	300	16.5	3.9
Income Level			
Less than \$30,000	250	13.5	4.2
\$30,000-\$60,000	350	14.7	4.1
\$60,000-\$90,000	300	15.3	4.0
More than \$90,000	100	16.9	3.8

Table 3, similar to Table 2, gives an overview of the risk tolerance levels among the participants according to their demographics. The comparison between Tables 2 and 3 may provide preliminary insights into the relationship between financial literacy and risk tolerance.

Table 4. Correlation Matrix of Key Variables

	1. Financial Literacy	2. Risk Tolerance	3. Age	4. Education	5. Income
1. Financial Literacy	1	0.35*	-0.10	0.40*	0.30*
2. Risk Tolerance		1	-0.15*	0.20*	0.25*
3. Age			1	-0.05	0.10
4. Education				1	0.15*
5. Income					1

Note: *p < .05

Table 4 is a correlation matrix that shows how the key variables in the study—financial literacy, risk tolerance, age, education, and income—are related to each other. This is important for understanding the complex interrelationships among these variables.

Table 5. Multiple Regression Analysis of Financial Literacy on Risk Tolerance

	B	SE	β	p
Intercept	2.1	0.3		< .001
Financial Literacy	0.35	0.05	0.30	< .001
Age	-0.14	0.03	-0.20	< .001
Gender (Ref: Female)	1.7	0.3	0.15	< .001
Education	1.2	0.2	0.20	< .001
Income	1.5	0.3	0.25	< .001

Standard error of B is denoted by SE, where B stands for unstandardized regression coefficients and for standardized regression coefficients. Statistics are significant when the P-value is less than .05.

The outcomes of the multiple regression study are presented in Table 5, which shows how knowledge of finances and other characteristics affect risk tolerance. The table provides a detailed overview of the different aspects that influence risk tolerance.

Table 6. Interaction Effects between Financial Literacy and Demographic Variables on Risk Tolerance

	B	SE	β	p
Intercept	2.0	0.3		< .001
Financial Literacy	0.28	0.06	0.25	< .001
Age	-0.12	0.03	-0.18	< .001
Gender (Ref: Female)	1.6	0.3	0.14	< .001

Education	1.1	0.2	0.19	< .001
Income	1.4	0.3	0.23	< .001
Financial Literacy * Age	-0.02	0.01	-0.15	< .05
Financial Literacy * Gender	0.06	0.02	0.12	< .05
Financial Literacy * Education	0.08	0.02	0.15	< .001
Financial Literacy * Income	0.05	0.02	0.10	< .05

The interactions between financial understanding and demographic factors are shown in the table. By examining interaction effects, Table 5's analysis is expanded. It reveals how various demographic characteristics including age, gender, education level, and income may alter the association between knowledge of finances and risk tolerance.

DISCUSSION

Interpretation of Findings

The findings of this study show a strong correlation between millennials' financial knowledge, risk tolerance, and demographic factors. Table 2 demonstrates how the degree of financial literacy varied significantly depending on the demographic group. This indicates that millennials may not all have the same level of financial literacy, which highlights the necessity for specialised financial education programmes.

Some of these demographic variations were reflected in the risk tolerance analysis in Table 3 that was given. According to earlier study (Dohmen et al., 2011), there was a clear gender discrepancy, with men showing a higher risk tolerance than women.

Importantly, the research supported the positive relationship between risk tolerance and financial literacy, as seen in Tables 4 and 5. This suggests that financially savvy millennials are more inclined to tolerate financial risks, which is in line with findings from other studies (Lusardi & Mitchell, 2014). Even after accounting for demographic variables including age, gender, education level, and income, this association was true.

This picture is made more complex by the interaction effects seen in Table 6. These demographic parameters found to influence how strongly financial literacy and risk tolerance are related. This implies that the effects of financial education could not be consistent and might vary depending on a person's demographic background. In conclusion, the study's findings highlight how intricate the connection between risk tolerance and financial knowledge is. They emphasise the need of taking demographic demographics into account when developing interventions targeted at improving millennials' financial knowledge and risk tolerance.

Implications for Financial Education Programs

The findings from this study hold substantial implications for financial education programs targeting millennials. The observed variation in financial literacy across different demographic groups underscores the need for educational initiatives to adopt a tailored approach that takes into account these demographic distinctions.

For example, the lower levels of financial literacy observed among women and those with lower levels of education suggest that these groups might benefit from specific educational interventions. Such programs could focus on the development of core financial competencies and confidence to make informed decisions.

The positive association between financial literacy and risk tolerance also indicates the potential for financial education to influence attitudes towards risk. By enhancing financial literacy, educational programs might contribute to a more nuanced understanding of financial risk among millennials. This could in turn lead to more informed decision-making around investment, savings, and other financial behaviors.

The moderating effect of demographic factors on the relationship between financial literacy and risk tolerance further emphasizes the need for targeted approaches. Given that an individual's age, gender, education level, and income can influence how financial literacy affects risk tolerance, financial education programs should be designed to reflect these nuances.

Overall, these findings point towards the importance of personalized, relevant financial education. They highlight the potential of such education to not only enhance financial literacy but also to support more informed risk-taking behaviors among millennials.

Implications for Financial Institutions

Financial institutions stand to benefit from the insights generated by this study in several ways. Understanding the financial literacy and risk tolerance of millennials can enable these institutions to tailor their products, services, and communications to meet this demographic's needs more effectively.

The observed demographic variations in financial literacy and risk tolerance suggest opportunities for segmentation and customization. For example, the products aimed at groups with lower levels of financial literacy could focus on simplicity and clarity, whereas those for higher-risk tolerance segments could offer potentially higher returns but at increased risk levels.

Financial institutions have an opportunity to engage in financial education given the strong correlation between risk tolerance and financial literacy. These institutions may be able to encourage greater risk tolerance and,

consequently, the usage of a wider variety of financial products by providing resources and programmes that advance financial literacy.

A one-size-fits-all strategy could also be ineffective, according to the study's results that demographic characteristics modify the association between knowledge of finances and risk tolerance. When creating and advertising their goods, banks should take into mind these elements. Products and services, for instance, might be customised for various demographics, taking into account the variances in risk tolerance and financial knowledge within these groups.

Overall, this study emphasises the need of taking millennials' level of financial awareness and risk tolerance into account when developing and marketing financial goods and services.

Policy Recommendations

Several policy suggestions may be made to enhance millennial' financial literacy and control their tolerance for risk levels according to the study's findings.

Promotion of Financial Education: Given the strong correlation among financial understanding and risk tolerance, policymakers should think about increasing financial education. Financial education might be included into academic curriculum, ongoing adult education courses, or efforts for job training.

Targeted Interventions: The investigation discovered substantial demographic disparities in risk tolerance and financial knowledge. To address the demographic groups who were shown to have a lower degree of financial literacy, policymakers may want to undertake customised initiatives. For women, those from lower socioeconomic categories, and people with less formal education, this can need specialised educational resources.

Regulatory Considerations: Financial companies should be encouraged to give clear, understandable information regarding financial products, and may even be forced to do so. Making ensuring that customers, especially those with less knowledge of finance, can make educated decisions would be the aim.

Public-Private Partnerships: Governments could collaborate with private-sector organizations, including banks, non-profit organizations, and educational institutions, to deliver effective financial education. Such partnerships could leverage the strengths and resources of both sectors.

Research and Evaluation: Ongoing research should be encouraged to continuously monitor financial literacy levels and risk tolerance among millennials. The effectiveness of different policy interventions should also be evaluated and the findings used to refine and improve these initiatives.

Overall, these recommendations aim to enhance millennials' financial literacy, encourage informed risk tolerance, and ultimately, support better financial decision-making within this cohort.

CONCLUSION

Summary of Findings

The purpose of this study was to look at how risk tolerance and financial knowledge relate to millennials. The results showed that financial literacy varied significantly among various demographic groups. Additionally, a favourable association between risk tolerance and financial knowledge was found. Even after adjusting for demographic characteristics, this association maintained. The findings also indicated that demographic variables such age, gender, education level, and income may be able to attenuate the effect of financial awareness on risk tolerance. Policymakers, teachers, and financial institutions working to improve millennials' financial knowledge and risk tolerance should take these results seriously.

Limitations of the Study

Despite the significant contributions of this research, it's important to acknowledge its limitations. First, the study relied on self-reported measures of financial literacy and risk tolerance, which may be subject to response bias. Secondly, while the sample was drawn from a wide demographic spectrum, it may not fully represent the entire millennial population. Furthermore, the study focused on the millennial generation and its findings may not be generalizable to other demographic cohorts. Finally, this research adopted a cross-sectional design, which can establish correlations but not causal relationships.

Suggestions for Future Research

Future studies can aim to address the constraints of the current study and further our comprehension of the connection between risk tolerance and financial literacy. For figuring out the causes of changes and following them over time, longitudinal studies may be helpful. Additionally, experimental research might be utilised to evaluate the efficiency of various educational interventions in boosting risk tolerance and financial literacy. In order to give a more thorough knowledge of these occurrences across multiple age groups, research might also examine the link between financial acumen and risk tolerance across different demographic groups, such as the younger generation or Baby Boomers. Finally, a more comprehensive and nuanced comprehension of these concerns would be possible with the addition of more representative and varied samples.

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